

Testimony of Barbara Determan

**President
National Pork Producers Council**

Before the

**Committee on Agriculture
U.S. House of Representatives**

Concerning:

Draft Farm Bill Concept Paper

**July 17, 2001
Washington, D.C.**

Mr. Chairman and Members of the Committee,

I am Barbara Determan, a hog producer and grain farmer from Early, Iowa. I am also the President of the National Pork Producers Council (NPPC). Pork producers are pleased to testify today on the draft farm bill concept paper and want to expressly thank this Committee for moving forward expeditiously toward the development and passage of the next farm bill.

The U.S. pork industry represents a major value-added activity in the agricultural economy and a major contributor to the overall U.S. economy. The \$8.7 billion of gross receipts from hog marketings in 1999 represent only a portion of the economic activity supported by the industry. Although the U.S. hog industry has undergone changes in recent years, over 575,595 US residents are involved in various aspects of the industry ranging from input suppliers to producers, to processors and handlers as well as mainstreet businesses that benefit from purchases by people in these industries. Overall, the U.S. hog industry uses fully 16 percent of the soybeans and 12 percent of the corn raised in America.

Changing Pork Industry Trends

Global competition, new technologies, and consumer demands are but a few of the factors that are rapidly changing the U.S. pork industry. Hogs are raised differently today than even just 20 years ago. Hog farms are managed in new and innovative ways. Hogs are marketed on a carcass weight-carcass merit basis verses the traditional live weight selling in the past. Both producers and the packing industry are vastly more efficient but much less flexible than in the past.

Consumer attitudes will determine the future face of the U.S. pork industry. Consumers are generally more demanding about what they eat, its nutritional content and taste. They are more cognizant of and more accepting of familiar brands than ever before which is leading producers into new and exciting marketing and production alliance opportunities and market segmentation and differentiation. Coordination of the production and processing chain with consumer demands is more and more critical to the success of all industry participants, but perhaps most critical to the future of producers.

The pork industry is becoming increasingly global and more competitive than ever before. Because of the internet and the nature of global communications, information and technology are extremely mobile and instantaneous. Canada, the EU, Brazil and Argentina are becoming worldwide competitors as their industries grow and mature.

Food Safety and environmental protection will play an ever-greater role in the decisions made on the farm. Consumers expect meat to have zero risk of food borne pathogens, while also demanding a reduction in the amount of antibiotics involved in livestock production. Environmentally, agriculture is moving inexorably from an unregulated to a regulated industry, driven again by consumer desire for food produced with little adverse environmental impact. Nutrients in rivers and streams caused by farm runoff will no

longer be an acceptable byproduct of productive modern American agriculture in the future.

Conservation Provisions

Mr. Chairman, the \$15.05 billion increase you have proposed for conservation spending over 10 years has the potential to make your farm bill one of the important milestones in federal conservation policy. You are to be commended for your proposal, and we welcome and appreciate this opportunity to provide you with our views and observations as you craft the details of these provisions for your farm bill package. We would also like to commend Subcommittee Chairman Lucas for the conservation bill he submitted last week, which makes a tremendous, similar commitment to meeting agriculture's conservation needs. Both your efforts have given great impetus to the goal of keeping producers working their lands profitably, while elevating every farmer's commitment to preserving our natural resources.

Your draft concept will be particularly helpful to our efforts. A \$1.2 billion a year increase for the Environmental Quality Incentives Program (EQIP), 50 percent of which would go to livestock and poultry producers, will help us meet our ongoing livestock nutrient management goals.

Unfortunately, we know that the needs of the livestock sector far exceed these planned increases. For example, since 1997, EQIP has not been able to fund 196,000 contract applications for \$1.4 billion in environmental practices. Of that, \$800 million came from livestock producers alone. As we have stated in previous testimony on this topic, livestock and poultry producers face, or will soon face, costly environmental regulations as a result of state or federal law designed to protect water and air quality. In addition to state requirements, the regulations will come from the Clean Water Act TMDL program, the proposed CAFO permit requirements, and the Clean Air Act.

The following table summarizes the conservation funding needs of livestock operations with 50 animal units or more.

10 Year Costs, By Category and Species for operations with more than 50 animal units (in million dollars)

	Fed Cattle	Dairy Cattle	Other Cattle	Swine	Poultry	Total
Structural Measures	\$346	\$3,492	\$1,321	\$1,402	\$813	\$7,375
Structural Measures, Technical Assistance	\$87	\$873	\$330	\$351	\$203	\$1,844
CNMP Preparation	\$42	\$221	\$142	\$104	\$84	\$593
Ongoing Nutrient Mgmt, Soil and Manure Tests, etc.	\$254	\$297	\$97	\$306	\$505	\$1,459
Ongoing Nutrient Mgmt, Tech Assistance	\$169	\$172	\$58	\$184	\$301	\$884
Securing Additional Land for Spreading Manure	\$8	\$2	\$0	\$3	\$33	\$46
Total Cost	\$906	\$5,057	\$1,948	\$2,350	\$1,939	\$12,200

We commend you for the increases you have proposed to help meet these needs. The above analysis leads us to respectfully request that the committee take full advantage of any opportunity that may exist to expand EQIP funding further in order to come as close as possible to the \$1.2 billion a year level of assistance needed by the livestock and poultry sectors.

There are several specific issues that we would like to address as you know prepare final legislative language for the conservation title of your farm bill. We have stated many of the following comments and positions in previous testimony before this Committee, but they bear repeating and need to be placed in the context of the existing statute.

We feel very strongly that livestock and poultry producers must be eligible for conservation cost share or incentives assistance regardless of the size of their operations. We understand that the legislation to be drafted from your farm bill concept paper will not exclude any operation, based on size, from receiving EQIP assistance and we thank you for that.

The public clearly wants improved environmental performance and greater environmental benefits from our operations, large and small, and we are anxious to meet these goals. The environmental regulations and expectations we face do not distinguish among operations on the basis of size and we see no reason why assistance to livestock operations to meet these environmental objectives should discriminate on that basis. Family owned or operated livestock operations come in all sizes, and all of these will need cost share assistance if they are to remain economically viable while providing the public with the environmental benefits they obviously seek.

It is our view that a payment limitation schedule comparable in overall size to that used in row crops is far more appropriate, except that payments should not be limited by year but by the needs of the overall EQIP contract. We believe a minimum of \$200,000 per contract is needed for this work, and even that will be too low in many cases. We welcome the opportunity to work cooperatively with you as you finalize this provision in your bill.

We feel that protecting water and air quality as it relates to livestock and poultry manure management must be national priorities for EQIP. We encourage your final bill to ensure the program has both of these among its top priorities. We also believe that while the installation of EQIP conservation practices can and will provide benefits to wildlife, the goal of wildlife habitat preservation should not be a purpose of EQIP. In our view, the Wildlife Habitat Incentives Program (WHIP) is the best programmatic home for helping producers practice wildlife conservation on working agricultural lands. We encourage you to remove wildlife as an explicit purpose of EQIP, and support your effort to substantially increase funds for WHIP to meet the worthy goals of protecting habitat.

Explicit provisions must be enacted that structure and support the joint effort that will be needed from federal and non-federal technical assistance providers to ensure that EQIP financial assistance will achieve its intended purpose. We commend you for the \$850 million over 10 years that your concept paper has proposed for federal and non-federal technical assistance, and support inclusion of these funds in the final bill. We note that in addition to these funds, we continue to support the use of EQIP funds for the provision of technical assistance, as under current law.

Our cost analysis referenced above incorporates technical assistance costs explicitly. We believe it is very important that this bill not adopt any limitation on the amount of technical assistance to be provided under EQIP that is arbitrary and otherwise not based on what it really costs to help producers design, install and manage conservation practices.

Financial assistance is essential, but without full and qualified technical support, the financial assistance will fail. We want EQIP to succeed, and feel the old adage, "penny wise and pound foolish" definitely applies to this situation.

We feel that particular attention must be paid in the legislative language to ensuring that the program allows for the participation of third party private sector experts to supplement the technical assistance to be provided by USDA. A voucher system is one way that could be used to meet this need, but there are several others, and we are prepared to offer, immediately, detailed suggestions regarding how this can be accomplished.

We request that your bill address the issue of how EQIP will meet many of the nation's top conservation priorities that are not properly delineated on the basis of small geographic areas, like a watershed. The ability of the program to place emphasis on watershed-based assistance must be retained. But there is a substantial number of critical, high value, high priority conservation practices providing valuable environmental benefits that producers across broad parts of the country need assistance to implement. EQIP must place considerable and major emphasis on helping producers adopt these latter conservation practices that are not defined on the basis of a geographic area.

We also ask that your bill examine certain existing provisions of EQIP that add considerable administrative burden with little associated environmental benefit. In particular, we believe EQIP must retain its emphasis on producing significant and valuable environmental benefits, but that it should do so without the impractical and impossible condition of truly "maximizing" such benefits. The term maximization implies being able to compare accurately and equitably tens of thousands of EQIP conservation practices being implemented under entirely different field conditions and often for very different conservation purposes. Maximization under these conditions is unfeasible and not an appropriate objective. Instead, the program should emphasize securing substantial environmental benefits per dollar expended.

We also believe that changes are needed to clarify that an EQIP plan, while necessary to secure a contract for EQIP payments, is not needed to apply for be accepted into the program. The program should have proper procedures to govern application and acceptance into the program, but an EQIP plan is far too detailed and costly a requirement for this purpose. We also believe that the legislation must make clear that an EQIP plan can be designed to address only one conservation objective and involve only one eligible practice, and that contracts can be for one year to 10 years, depending on the conservation practices involved.

Mr. Chairman, we also note that your proposal would increase the acreage cap of the Conservation Reserve Program (CRP) to 40 million acres. We can support this increase as long as the final legislative language makes it clear that enrollment of these new acres is to be guided by the goal of keeping productive working lands working. When an entire farm field is enrolled into the CRP, agricultural use of the field is lost for the term of the contract. In our view, this means that that emphasis must be placed on enrolling buffers

and portions of field. The number of whole fields enrolled in the CRP program should be substantially limited. We are prepared to work with you to define the appropriate purposes for these new acres.

Research

In previous testimony, NPPC urged the Committee to double agriculture research funding over the next five years. Funding in agriculture research has remained flat for the last 15 years while other federal research has significantly increased. This trend is no longer acceptable. Additional money is needed to enable producers to continue to produce safe and better food. While this goal is not reflected in the draft bill concept paper, we would

funding for pork export initiatives and foreign market development are largely supplied by the pork checkoff, which represents a percentage of the hog price received by the producer. The USDA Market Access Program and Foreign Market Development Program funds complement the pork checkoff expenditures in markets around the world. It has been and continues to be an excellent example of an effective public-private partnership.

Global Food Assistance

NPPC continues to support the creation of a new international school lunch program designed to help feed hungry children, improve nutritional standards and provide an outlet for surplus U.S. agricultural products. We feel that this program, the Global Food for Education and Child Nutrition Act, presents a promising opportunity for American producers to assist children in struggling areas of the world. NPPC cautions, however, that it is important for meat and dairy products to be fully represented to the greatest extent possible as this program goes forward.

Trade Promotion Authority Should Be Renewed

U.S. pork producers are major beneficiaries of the Uruguay Round Agreement and NAFTA. While a few bilateral trade agreements are theoretically possible without the passage of Trade Promotion Authority (TPA), the greatest benefits to American agriculture will come from the launch of a new multilateral round of negotiations, and that cannot happen without TPA. It is vitally important, both substantively, and symbolically, for the president to have TPA when ministers gather in November in Qatar in an attempt to launch a new round.

Since 1995, when the Uruguay Round Agreement went into effect, U.S. pork exports to the world have increased 55 percent in volume terms and 40 percent in value terms. In 2000 the U.S. exported a record 566,900 metric tons of pork valued at \$1.316 billion. Pork exports from the U.S. to Mexico exploded in 1994 when NAFTA went into effect. Even with the devaluation of the peso U.S. pork increased market share in Mexico -- this never would have happened without NAFTA. Mexico is now the pork industry's second most important market behind Japan.

The United States is uniquely positioned to reap the benefits of liberalized world pork trade. U.S. pork producers are the lowest cost producers of the safest, highest quality pork in the world. But without the renewal of trade negotiating authority for the Executive branch by Congress, U.S. pork producers and the rest of U.S. agriculture will be forced to remain on the sidelines while other countries continue to negotiate new trade agreements at a staggering pace.

The rapidly expanding Brazilian pork industry -- a key competitor to the U.S. industry -- now has preferential access into many markets to the detriment of U.S. producers. Canada, another significant competitor, has gained preferential access into Chile and other Western Hemisphere nations through free trade agreements. While the United

States sits idly by, Chile, Mexico, and Canada have wrestled away from the United States the mantle of the Western Hemisphere's trade leader. These countries along with the European Union are gaining the benefits of trade for their citizens while the U.S. engages in an over-hyped dialogue about the benefits of trade.

Rural Development

Finally, Mr. Chairman, NPPC commends your efforts to add significantly to a modest program begun a few years ago to provide grants for start-up farmer-owned value added processing facilities. During the past few years, economists of all stripes have pointed to the need for farmers to become more than commodity producers and to find ways to capture more of the consumer food dollar. Value added enterprises are the wave of the future and we commend your commitment toward expanding this opportunity by increasing funding to \$370 million over 10 years.